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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5530
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1271
RUEHBY/AMEMBASSY CANBERRA 0078
RUEHKA/AMEMBASSY DHAKA 4420
RUEHLO/AMEMBASSY LONDON 1887
RUEHNE/AMEMBASSY NEW DELHI 3671
RUEHUL/AMEMBASSY SEOUL 7176
RUEHTC/AMEMBASSY THE HAGUE 0574
RUEHKO/AMEMBASSY TOKYO 4761
RUEHCI/AMCONSUL CALCUTTA 1000
RUEHCN/AMCONSUL CHENGDU 1003
RUDKIA/AMCONSUL CHIANG MAI 0773
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 2980
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 0643
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001818

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STATE FOR EAP/MLS; PACOM FOR FPA, TREASURY FOR OASIA:AJEWELL

E.O. 12958: DECL: 09/21/2016

TAGS: [ECON](#) [PGOV](#) [ENRG](#) [BM](#)

SUBJECT: BURMA PUMPS OIL AND GAS POTENTIAL FOR CASH NOW

REF: A. RANGOON 1704

[1](#)B. RANGOON 668

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Classified By: Econoff TLManlowe for Reason 1.4 (b,d)

[1](#)1. (SBU) Summary: Development of Burma's oil and gas reserves continues apace, from existing facilities upgrades to new exploration deals. The government needs hard currency and correctly sees the sector as its best source of revenue. End Summary.

Upgrades of Existing Facilities

[1](#)2. (SBU) Offshore: At the annual St. Barbara celebration on December 9, Total's General Manager Martine Valeix announced that the Total/Unocal/PTTEP(Thai)/MOGE(GOB) consortium had just opened a third platform for the Sein (Diamond) field, which is adjacent to the existing Yadana (Treasure) field, for gas deliveries, primarily to Thailand. She noted the increased volume of gas exported to Thailand, which an industry source told us went up 10% in 2006 to 635 million cubic feet per day (mcfd), although Thailand pays for less (ref A). Also, according to industry sources, upgrades, including the replacement of an 18 cm pipe with a 32 cm pipe, were completed on December 10, which allow 110 mcfd of gas to flow from Yadana to domestic facilities. Burma now takes close to its 125 mcfd allocation, up from 50 mcfd in the past, for use in power plants and a cement factory (ref B).

[1](#)3. (C) Onshore: The GOB wants to boost the declining production from onshore oil wells back to levels over 10,000 bbd by the end of 2006. Oil industry sources doubt that this is possible. Production had declined to approximately 9,000 bbd or less in 2006. Burma's old wells have declined naturally, said one contact, and it will take expensive new technology to boost production. Representatives of the

domestic energy firm, Focus Energy, and the Indonesian firm, Goldpetrol told us that 50% - 75% of their payments from the GOB were overdue. Goldpetrol wrote a letter threatening to cut off production unless it received some of the arrears, and the GOB reportedly responded by threatening to take over their assets. All payments come from the Ministry of Finance and Revenue, so the MOGE, under the Ministry of Energy, has no control over when bills are paid. Under its contract, Goldpetrol is overdue to invest to upgrade its facilities in Burma, but has refused to spend more money in country. Since 2005, the GOB barred foreign firms from investing in onshore wells, including Russian oil company Zarubezhneft Itera, represented in Burma by crony Te Za. Now contacts say the restriction may be loosened to apply only to existing wells, and foreign companies may be allowed to explore new fields.

New Offshore Possibilities

14. (U) Interest in potential reserves off Burma's coast have prompted its partners to lock in production-sharing agreements. Thailand's PTTEP has an interest in blocks M-3, 4, 7, 9 and 11, which border on the Yadana field off the central coast, and announced a find in block M-9 in August. The Malaysian firm Petronas has interest in blocks M-15, 16, 17 and 18, off Burma's southernmost coast, in addition to its partnership in the existing Yetagun field in M-12, 13 and 14.

15. (SBU) Gas Authority of India Limited (GAIL) and Silver Wave Energy of Singapore have 30/70% shares respectively of a consortium to develop block A-7 off the Rakhine State coast. MOGE signed a production-sharing contract with the consortium partners in early December. This block is south of the Shwe and Mya fields, now explored by a consortium led by Daewoo (ref A). Zarubezhneft Itera, Sun Group of India and MOGE

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signed a production-sharing contract in September for block M-8, further offshore than any existing field. All of the blocks currently available are located in the relatively shallow waters along the coast. On December 21, Moe Myint, CEO of MPRL, an oil and gas firm, told us that he expects the GOB to offer deepwater blocks for exploration early in 2007.

16. (SBU) Comment: Although reserves are not proven, all parties have an interest in early deals. The GOB needs cash now, and is willing to sign agreements to receive immediate bonuses. With oil and gas prices high, exploration partners and potential importers are anxious to secure supplies to meet future energy needs. Burma's economically-growing, but energy-short neighbors are most interested. Increased supplies, however, will not benefit the Burmese people, who face longer and more frequent power outages. Only the Burmese military benefits. End comment.

VILLAROSA